

DRIVING INCHCAPE FORWARD



Ken Hanna
Chairman

Appointed:
September 2001

Ken Hanna will retire from the Group following the AGM on 24 May 2018.

Skills and experience:
Ken has extensive international financial experience gained in a number of business sectors. He also possesses strong leadership and governance skills obtained in a variety of leading UK plc's, including Cadbury plc and Aggreko plc.

Other appointments:
Chair of Aggreko plc.
Chair of Shooting Star Chase.

Committee membership:
Chair of the Nomination Committee, member of Remuneration and CR Committees.



Stefan Bomhard
Group Chief Executive

Appointed:
April 2015

Skills and experience:
Stefan has senior level experience gained in a wide range of retail and FMCG businesses. Prior to joining the Group, he was President of Bacardi Limited's European region and was also responsible for Bacardi's global commercial organisation and global travel retail.

Other appointments:
Non-Executive Director of Compass plc.



Richard Howes
Chief Financial Officer

Appointed:
April 2016

Skills and experience:
Richard has a wealth of experience across the financial and commercial sectors, working for multi-site businesses with substantial global footprints. He joined the Group from Coats plc where he was Chief Financial Officer.

Richard is a chartered accountant.



Jerry Buhlmann
Non-Executive Director

Appointed:
March 2017

Skills and experience:
Jerry has over 30 years' experience in the media and advertising industries. More recently he was CEO of Aegis Group PLC from 2010 - 2013, and following the acquisition of Aegis Group by Dentsu Inc. become CEO of Dentsu Aegis, a post he retains today.

Jerry is also a director of Madison Sports Group and the Media Trust

Committee membership:
Remuneration, CR and Nomination Committees.



Rachel Empey
Non-Executive Director

Appointed:
May 2016

Skills and experience:
Rachel was appointed Chief Financial Officer of Fresenius SE & Co. KGaA, a top healthcare company listed on the DAX index, on August 2017.

Previously Rachel was Chief Financial and Strategy Officer of Telefónica Deutschland Holding AG ("Telefónica Deutschland"). Rachel is a chartered accountant.

Committee membership:
Audit and Nomination Committees.



John Langston
Non-Executive
Director

Appointed:
August 2013

Skills and experience:

John has corporate finance, accounting and international experience acquired in senior financial roles in the engineering sector. He is an experienced Non-Executive Director who has a strong governance background and was the Audit Committee Chair of Rexam PLC until its sale to Ball Group in 2016.

John is a chartered accountant.

Committee membership:

Chair of Audit Committee and member of Nomination Committee.



Coline McConville
Non-Executive
Director

Appointed:
June 2014

Skills and experience:

Coline has extensive remuneration experience as the Remuneration Committee Chair of Travis Perkins plc, Fevertree plc and of TUI Travel plc until its merger with TUI AG. Coline is an experienced Non-Executive Director and has served as a director on several UK boards.

Other appointments:

Non-Executive Director of Fevertree Drinks plc, Travis Perkins plc and a member of the supervisory board of TUI AG.

Committee membership:

Chair of Remuneration Committee and member of Nomination and CR Committees.



Nigel Northridge
Senior Independent
Director

Appointed:
July 2009

Skills and experience:

Nigel brings international and commercial experience acquired across a number of sectors. He is an experienced Non-Executive Director and has served as a director on the boards of several large UK and global plc's.

Other appointments:

Chairman of Hogg Robinson plc, Chairman of Scandinavian Tobacco Group A/S and non-executive Chairman of Belfast City Airport.

Committee membership:

Remuneration, Audit and Nomination Committees.



Nigel Stein
Non-Executive
Director

Appointed:
October 2015

Subject to his re-appointment by shareholders at the AGM on 24 May 2018, Nigel Stein will become Chairman following Ken Hanna's retirement.

Skills and experience:

Nigel became Chief Executive of GKN in January 2012 and retired in December 2017. He has a wide range of international, general management and finance experience gained in various roles at GKN plc and also has experience in the automotive and manufacturing sector.

Nigel is a chartered accountant.

Committee membership:

Audit, Remuneration and Nomination Committees.



Till Vestring
Non-Executive
Director

Appointed:
September 2011

Skills and experience:

Till is an Advisory Partner with Bain & Co, based in Singapore. He has extensive experience advising multinationals on growth strategy across Asia and leading Asian companies on strategy, M&A and organisation.

Other appointments:

Non-Executive Director of Keppel Corporation.

Committee membership:

Chair of CR Committee and member of Remuneration and Nomination Committees.

DRIVING THE GOVERNANCE CULTURE

DEAR SHAREHOLDER

On behalf of the Board, I am pleased to present Inchcape's Corporate Governance Report for the year ended 31 December 2017. Routine disclosures required under the UK Corporate Governance Code are detailed in the Compliance Report on pages 82 to 86 which should be read in conjunction with this report.

As previously announced, I will be retiring as Chairman following the AGM in May and I am delighted that Nigel Stein will become Chairman after my departure. Nigel has considerable skills and expertise with a proven track record both at a financial and operational level and as a Non-Executive Director. A Q&A with Nigel is given on page 48.

I have been on the Board of Inchcape since 2001 and at that time the Group had recently become an automotive only business following a successful divestment programme in 1999. Since then, Inchcape has become the leading independent multi-brand automotive Distributor and Retailer with acquisitions in the UK, Russia, Australia and most recently South America. As a Board we have had to tackle some challenging conditions as well as the many successes over the years and it is a testament to our strong leadership that we were able to navigate these successfully. It also shows that Inchcape has a proven and resilient business model. In fact, over the years the Group has developed into a highly focused and agile business and is in a strong position to successfully deliver on its Ignite strategy and to deal with the many changes likely to affect the automotive industry in the years to come.

I have thoroughly enjoyed my years with Inchcape, especially working with so many talented colleagues both on the Board and in the business, and I know that I am leaving the Group in very good hands.

DIVIDEND

The Board is pleased to recommend payment of a final dividend for the year ended 31 December 2017 of 18.9p. This gives a total dividend for 2017 of 26.8p, a 13.0% increase on 2016 (23.8p). Subject to approval at the Annual General Meeting on 24 May 2018, the final dividend will be paid on 22 June 2018 to shareholders of the Company on the register of members at the close of business on 18 May 2018.

2018 OUTLOOK

Inchcape has delivered a strong set of results for 2017 supported by initiatives within our Ignite strategy. The South American acquisition has been a key component of these results. Overall, Inchcape's diversified revenue streams and geographic exposure continue to provide



a strong platform for continued growth in the medium term. The fundamentals of the business model remain strong with strong cash conversion over the year indicative of that.

The Group continues to identify opportunities to leverage our scale and respond to the slower market outlook in some of our businesses, in particular the UK and Singapore. We have already taken action to protect the profitability of our business and see meaningful opportunity for further efficiencies. In addition, we expect other regions, in particular our Emerging Markets business, to see continued strong growth.

I hope you find this report informative and I would like to take this opportunity to thank my Inchcape colleagues for all their hard work in 2017 and I wish them, and the Group, all the very best for the future.

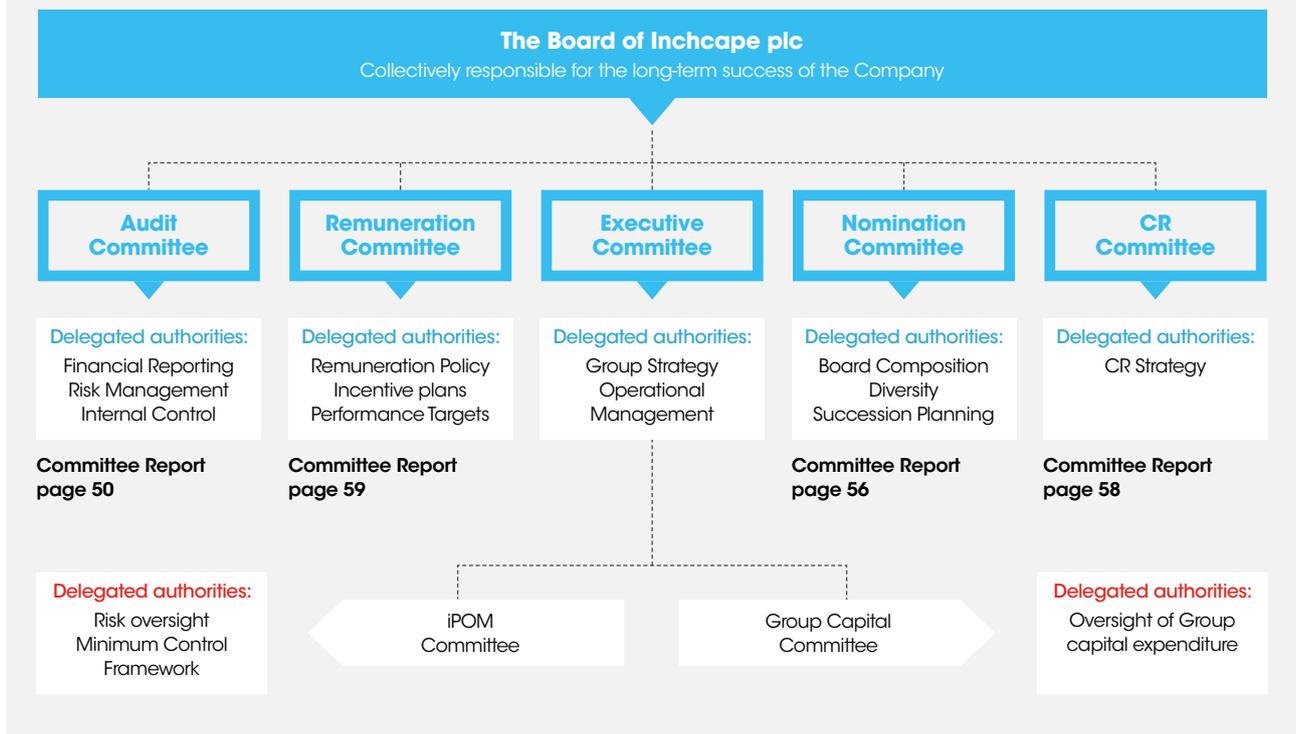
Ken Hanna
Chairman

STATEMENT OF CODE COMPLIANCE

The Company was compliant with the provisions of the 2016 UK Corporate Governance Code throughout the year. The Code can be found on the FRC’s website www.frc.org.uk

The information required under DTR 7 is given on pages 46 to 86 and forms part of this report.

GOVERNANCE STRUCTURE



Board meeting	Key activities	
January	South American acquisition update	
March	Full year results, Annual Report and Accounts, final dividend, share buyback, 2017 AOP update Modern Slavery Statement 2016 internal Board evaluation results	Ignite strategy – Lead in customer experience
May	Annual Strategy Review	Annual General Meeting
July	Interim results, interim dividend, share buyback Talent planning	Market review – Continental Europe
October	Overseas visit to Santiago, Chile Annual Risk Review	Ignite strategy – OEM partner of choice Market review – Emerging Markets
December	9+3 update, 2018 Annual Operating Plan Delegated Authorities Policy Defence Planning External Board evaluation	Market review – Ethiopia



Nigel Stein
Non-Executive Director

What are you most looking forward to when you become Chairman?

I feel honoured to be given the opportunity to Chair Inchcape, a company with a fantastic history and track record of success. In my time on the Board I have found everyone I have worked with to be of the highest quality. I am looking forward to working with them to take Inchcape on to even greater success, in an evolving industry, which I'm sure will be both challenging and extremely rewarding.

After the AGM in May, as part of my induction as Chairman, I will travel to some of our global operations that I have not previously visited, to meet more colleagues and develop an even deeper understanding of 'how we do business' at Inchcape. During 2018, I also plan to meet shareholders and other investors to hear their views on Inchcape.

You've been on the Board for two years now. What do you think the strengths of the Inchcape Board are?

Inchcape has a strong Board led by Ken Hanna, an excellent Chairman. During his many years with Inchcape, Ken has built a Board with a good mix of Directors, some of whom are very experienced in the Company or industry, some of whom bring new perspectives to the NED role. This balance of skills and experience increases the Board's effectiveness.

The Board also has strongly governance-focused committees which give assurance to the Board on the matters delegated to them. I also see the Board's very open and constructive relationship with the Chief Executive, Stefan Bomhard, and the rest of the Executive Committee as one of its strengths. As such, the Board has a deep understanding of the Ignite strategy, how this is being delivered, and the risks to the Group. Preserving this transparent dialogue and way of working is very important to me.

What do you see as the main focus for your first year as Chairman?

My first priority will be to ensure there is a smooth, seamless transition when Ken steps down in May. I want to make sure we keep a strong Board and Executive team, with good succession plans for both, therefore the diversity agenda at Board and Executive level will be as much of a focus for me as it has been in the past.

I'm very much looking forward to my first year as Chairman, especially as the Group is growing and the pace of change in the industry is accelerating. This is an exciting time and it's important for the Board to keep the strategy in focus to ensure Inchcape is well-positioned to seize the opportunities which will arise.

As Chairman, clearly I also want to ensure Inchcape maintains its reputation for strong corporate governance and as a Board we will spend time considering the implications of the upcoming governance changes during 2018.

What is the importance of the Board's role in shaping, monitoring and overseeing Inchcape's company culture?

The 'tone' of any organisation starts at the top. I believe the culture and behaviours of an organisation need to be demonstrated at all levels and the Board has a pivotal role to play shaping Inchcape's culture, in support of Stefan and the Executive team as they seek to deliver the strategic and operational objectives.

Inchcape's Ignite strategy, centred around our vision of becoming the most trusted automotive Retailer and Distributor, ultimately helps to steer our people to deliver against our objectives in the right way. And Stefan is very clear in setting expectations and leading by example every day by fostering a culture of trust and personal accountability.

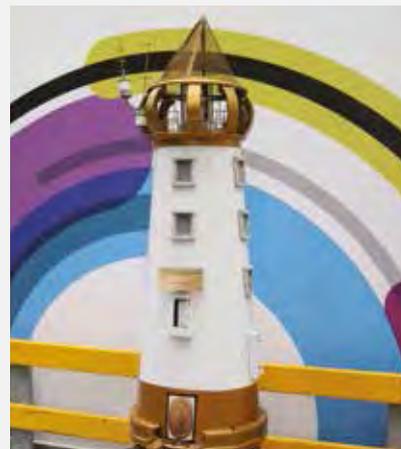
As the Board, we also seek to foster a culture of trust and respect amongst our team. This means having open, constructive and supportive discussions whilst recognising our accountability for our actions. In this way I believe we will provide the best service to all Inchcape stakeholders and drive long-term value creation.

OVERSEAS VISIT

In 2017, the Board visited the businesses in Santiago, Chile which included the existing BMW business, William Balfour, and the South American businesses acquired from Indumotora in December 2016.

The Board were given regular updates on the integration of the South American businesses throughout the year and the Emerging Markets leadership team have managed a smooth and successful transition. Initial on-boarding was completed by 31 March 2017 with emphasis on functional alignment with the Inchcape Group and communication of the Inchcape culture cascaded down the organisation.

In addition, a new regional communication channel was launched. The new businesses quickly became part of the Inchcape family and it was a pleasure to meet our new colleagues in October.



'Inchcape Lighthouse' made from spare parts by Alejandro Urra, Evelyn Vergara and Ester Campos, Inchcape LatAm for the Board visit.

BOARD EVALUATION

The 2017 Board evaluation was externally facilitated in accordance with provision B6.2 of the 2016 UK Corporate Governance Code. Several consultants were considered by the Chairman and Company Secretary and it was determined that Independent Board Evaluation ("IBE") be appointed to perform the external review. IBE has no other connection to the Company.

After a comprehensive briefing and the provision of support material from the Chairman and Company Secretary, Lisa Thomas of IBE carried out the review from July to September with the results presented to the Board at the November meeting. Lisa observed the July Board and Audit Committee meetings followed by one to one interviews over the next few months with the Board members. In addition, IBE met with the Company Secretary, Chief HR Officer, Chief Marketing Officer, Chief Business Development Officer and the CEOs of Emerging Markets and Europe. IBE also spoke with the external auditors and remuneration consultants to obtain a comprehensive view of the operation of the Board. Feedback was taken on the main Board, each of the committees, the Chairman and the individual Directors. Reports were based on the information and views supplied during interviews. IBE's recommendations for the Board's action plan were based on the UK Corporate Governance Code and best practice.

The broad message from the Directors during the course of the review was that they were very satisfied with many areas of the Board's operation. A particular strength was felt to be Board culture, which was described as open, respectful and transparent, allowing the Board to support management and challenge them in a constructive manner. Board processes were said to be smooth and well-functioning, and agendas focused on the right issues over the last year. The consensus view was that whilst the Board is collaborative and focused, it nonetheless presented tough challenge. Other areas

of strength were felt to be shareholder relationships, and the clarity of the Ignite strategy, which was thought to be well understood and executed through the Company, and well monitored and scrutinised by the Board.

During the course of the review, IBE made a number of recommendations for the Board's consideration. Of those, the Board has identified the following for its immediate action plan for 2018:

- Ensuring that future Board composition always maximises challenge to management as they crystallise the longer-term strategy beyond Ignite, by keeping Board skills and terms under regular review and in line with strategy.
- Expanding the work of the Nomination Committee to enable broader discussions amongst Board members about NED and Executive succession, development and learning, and maintain the balance between experienced Directors, future Chairs and newer 'PLC' NEDs.
- Expanding the work of the Nomination Committee to cover items of governance to ensure appropriate focus for the Group.
- Reviewing the Board pack to broaden the spectrum of information provided to the Board, for example on competitors, or international territories, especially as future strategy discussions develop.

The Senior Independent Director reviewed the feedback on the Chairman, which was universally positive. Board members have appreciated the Chairman's Company experience and guidance, his open and inclusive chairing style, as well as his excellent and balanced relationships with the Executive Directors.

The Chairman reviewed the individual Directors reports and discussed the feedback with each Director, in order to formulate personal development plans for 2018 and develop goals for each with regard to their Board contribution.

ENSURING INTEGRITY AND CONTROLS

DEAR SHAREHOLDER

I am pleased to present the report of the Audit Committee for the year ended 31 December 2017. Certain disclosures, including how the Committee has complied with the UK Corporate Governance Code, are detailed in the Compliance Report on pages 82 to 86 which should be read in conjunction with this report.

Audit tender

During the year the Committee successfully completed an audit tender process which is detailed on pages 54 to 55. PwC and its predecessor firms have been the Group's auditor for over 20 years and I would like to take this opportunity to thank PwC for their hard work and dedication to the Company over the years.

I am pleased that Deloitte LLP has agreed to accept the role of auditor subject to shareholder approval at the 2018 AGM in May. The team from Deloitte shadowed PwC during the 2017 year-end audit in order to ensure a seamless transition.

Internal Audit and risk management

The Committee approved an Internal Audit Charter and agreed that an external evaluation of the Internal Audit function would be considered in 2019. Further information on Internal Audit can be found on page 52.

The Risk Management function refreshed the risk management approach and framework which were approved by the Committee and the Board. Further information can be found on page 51 and in the Risk Management Report on pages 30 to 38.

The Internal Audit and Risk reports are now considered separately by the Audit Committee in order to enhance focus on enterprise risk management and further the independence of the Internal Audit team.

The key activities of the Committee are given in the table on page 51 and the following pages set out the work carried out by the Committee during the year, the significant issues considered, and the key decisions made by the Committee.

The Company confirms that it complied with the provisions of the Competition and Markets Authority's Order for the financial year under review.



John Langston
Chair of the Audit Committee



John Langston
Chair of the Audit Committee

COMMITTEE MEMBERS

Alison Cooper
resigned February 2017
Rachel Empey

Nigel Northridge
Nigel Stein

FINANCIAL REPORTING

The Committee monitors the integrity of the financial statements by:

- Assessing and reviewing the final and interim results - by reviewing supporting papers and assessing key disclosures to ensure adequacy, clarity and completeness.
- Considering key audit issues, accounting treatment and judgements - by assessing information presented by management to ensure issues have been dealt with appropriately.
- Challenging management on the assumptions and judgements that had been applied - including the assessment of viability given on page 38 and going concern given on page 80 and considering reports of the external auditor.

In addition to the significant issues considered by the Committee which are given on page 53, the Committee also considered the following matters for the year ended 31 December 2017:

- Information security; and
- A review of the South American business's tax governance.

Committee meeting	Key activities
March	<ul style="list-style-type: none"> – Annual Report and Accounts including financial statements, accounting judgements, IFRS 8, changes to KPIs, impairment review, going concern, viability statement and acquisition accounting (see page 53) – PwC auditor report, PwC independence review – Internal Audit and Risk Management Report – Tax update, Group Litigation update – Approval of Non-Audit Services Policy and review of non-audit services
May	<ul style="list-style-type: none"> – PwC Internal controls review, PwC effectiveness review – Internal Audit and Risk Management Report – Information Security Report – Risk and Compliance Resourcing – Group Audit tender
July	<ul style="list-style-type: none"> – Interim results including accounting judgements and going concern – PwC interim report, PwC 2017 Audit Plan – Internal Audit and Risk Management Report – Non-Audit Services update, Tax update, Group Litigation update – Group Audit Tender
November	<ul style="list-style-type: none"> – Group Audit tender – Impairment testing review, ERP systems useful life review – PwC Audit Plan update – Internal Audit Report including IA strategy, IA charter and 2018 Internal Audit Plan – Risk Management Report – Inchcape LatAm Tax update – Review of terms of reference and committee membership, adoption of new terms of reference for 2018

RISK MANAGEMENT AND INTERNAL CONTROL

The Committee is responsible for ensuring that:

- There is an appropriate mechanism in place to identify the risks the Group faces;
- Management teams have the correct focus on those risks and, in particular, action plans to mitigate or respond to those risks;
- A compliance programme is in place in all markets and offices that meets or exceeds external benchmarks and is appropriate in terms of legal requirements, content, sector, cost and resources;
- Internal controls are appropriate, well designed and operating consistently across the Group; and
- The Group's fraud and whistleblowing programme is appropriately managed to reduce the risk of fraud, or respond quickly and decisively in the event the Group falls victim to fraud.

The Group has adopted the three lines of defence model. The first line of defence is the Group's organisational activities, policies and procedures implemented by local management teams. The second line of defence comprises oversight functions and Group or regional management who set direction and define policy. Further information can be found in the Risk Management Report on pages 30 to 38.

The third line of defence is Internal Audit. Each function provides independent challenge to the levels of assurance provided by the first two lines of defence.

This approach allows the Audit Committee and the Board to provide effective risk oversight. Regular reports from Internal Audit and the external auditors give an overview of the control environment including findings from its reviews of the Minimum Control Framework and other financial, operational and compliance controls. Further information is given on page 53.

Risk management

During the year the Committee:

- Reviewed and approved the risk management approach and framework (further details are given in the Risk Management Report on pages 30 to 38);
- Received a report on the refreshed incident response plan which was updated to provide guidance to each market on how to prepare and deal with major incidents and when to escalate to Group;
- Received an update on the Health & Safety Framework (further details are given in the CR Report on pages 39 to 43); and
- Received regular updates on all reports made to the InConfidence whistleblowing service – to ensure the issues raised are being dealt with and considered by the appropriate person to ensure independent investigation.

The Committee assesses management's response to any identified risk areas and, where necessary, challenges the suggested mitigating plans to ensure that suitable actions are being taken.

INTERNAL AUDIT

In July 2017, a new Head of Internal Audit joined the Group and introduced an updated Global Internal Audit Strategy. The key components of the new strategy include a specific focus on internal control governance, setting up a regional presence of the audit function globally, and further improvements to the audit process in line with expected professional development and the Ignite strategy.

This approach was approved by the Committee in November and will be rolled out in 2018.

During the year the Committee also:

- Reviewed and approved the Internal Audit Plan for 2018;
- Monitored progress against the 2017 plan throughout the year;
- Reviewed the status of open audit issues;
- Reviewed and approved the Internal Audit Charter;
- Received updates on internal control failings and reviewed the appropriateness of mitigation actions put in place by management;
- Received updates on risk based reviews for Treasury activities, incentives and Finance and Insurance.

The effectiveness of the Global Internal Audit Strategy will be assessed by the Committee in 2018.

The Group Head of Audit attends every Audit Committee meeting and also meets with the Audit Committee without the presence of management to discuss the findings of the Group Internal Audit team, if required.

EXTERNAL AUDIT

Auditors effectiveness and independence

The Committee is responsible for assessing the robustness of the external audit process. It does this by:

- Monitoring the implementation and fulfilment of the audit plan.
- Reviewing and assessing the auditors reports on the significant accounting judgements and its challenge to management.
- Reviewing the level of support and service provided by PwC.
- Reviewing the results of the external audit effectiveness survey.

The Committee satisfied itself that PwC remains independent and objective by:

- Reviewing the safeguards operating within PwC.
- Considering PwC's Independence Report presented to the Committee.
- Assessing the level and type of non-audit services provided by PwC.

To assist the Audit Committee with the assessment of PwC's effectiveness, management complete an annual effectiveness survey. This approach provides the Audit Committee with information on the overall efficiency, integrity and effectiveness of the external audit, views of the senior finance personnel in each of the Group's principal territories together with Group Finance, Tax and Company Secretariat. The survey consisted of a two page questionnaire in which respondents were asked to answer a number of questions about PwC's performance and give feedback on what could be improved.

The results from the 2016 audit, reviewed by the Audit Committee in 2017, indicated that the overall score remained broadly consistent with the prior year which, in the context of significant corporate activity during the year with the South American acquisition, impairment of certain iPower assets and the restructuring programme, is a satisfactory result.

Two areas were identified for improvement, Chile and UK Retail. Scores in Chile declined year-on-year whilst the average score in the UK Retail business was below the Group averages, and PwC reported on the opportunities for improvement in these areas.

PwC also updated the Committee on the areas for improvement identified in the prior year and the actions taken to resolve the issues, reporting that the scores in these areas had improved year-on-year which include improving efficiency of audit procedures and the approach to the year end cycle.

The Committee is satisfied that PwC is independent, objective and effective. It reached this conclusion by reviewing PwC's internal control procedures, its reports to the Committee and the challenges it made to management's treatment and findings on key accounting issues. The review included consideration of PwC's confirmation that it remained independent and objective within the context of applicable professional standards.

The current audit partner, Neil Grimes, has been in place for three years.

SIGNIFICANT ISSUES

The following issues were identified by the Committee as being significant in the context of the financial statements or as matters of significance to the Group and were debated by the Committee during the year.

Acquisition accounting (see note 28 on page 151)

The issue and management's view

Management presented details on the acquisition accounting for the South American business acquired in December 2016, together with other acquisitions in the period, and the judgements applied in preparing the Group's results for the year ended 31 December 2016 and 2017 and the period ended 30 June 2017. These judgements included the initial purchase price allocation, the alignment of accounting policies and the determination of any associated fair value adjustments.

Conclusion reached by the Committee

The Committee concluded that the business combination had been accounted for appropriately and in line with the principles set out in IFRS 3, Business Combinations.

Rationale for the Committee's conclusion

The Committee received reports from management which covered the acquisition accounting process and which demonstrated how the accounting principles had been applied. The Committee reviewed the judgements made and considered the application of the accounting principles to be appropriate.

Asset impairment (see notes 11 and 12 on pages 129 to 132)

The issue and management's view

Management presented a detailed overview of impairment testing to the Committee covering goodwill; a number of properties; and the indefinite life intangibles arising as a result of business acquisitions. The Committee reviewed and challenged value-in-use calculations, sensitivity analysis and a review of the draft disclosure in the financial statements.

Conclusion reached by the Committee

The Committee concluded that the value-in-use of the goodwill, indefinite life intangibles and properties reviewed exceeded book value and as such no impairment was required.

Rationale for the Committee's conclusion

The Committee noted that there had been a decrease in new vehicle registrations in the UK in the second half of the year, that the sensitivity analysis prepared by management on the UK goodwill value-in-use model incorporated reasonably possible changes to the key assumptions and that the outcome of the sensitivity analysis indicated that value-in-use continued to exceed book value.

Changes to KPIs

The issue and management's view

The Key Performance Indicators (KPIs) disclosed in the Strategic Report provide insight into how the Board monitors the Group's strategic and financial performance. Management reviewed the existing KPIs in light of the change of leadership and the Ignite strategy and proposed certain changes.

Conclusion reached by the Committee

The Committee reviewed the proposed changes and management's rationale for change. The Committee agreed to the addition of ROCE, which is a key measure of the Ignite objective to invest to accelerate growth as it demonstrates the Group's ability to drive better returns for investors on the capital invested. The Committee also agreed to the replacement of trading margin with operating margin and cash from operations with free cash flow. The Committee also agreed to the removal of trading profit, working capital and like-for-like sales.

Rationale for the Committee's conclusion

The Committee concluded that the changes to the KPI disclosure better align the KPIs with the Ignite strategy and management have strengthened the KPI disclosure by adding a short narrative for each, highlighting why it is measured and its link to the Ignite strategy, which provides enhanced understanding for stakeholders.

Minimum Control Framework ("MCF")

The issue and management's view

The Committee conducted a detailed review of the progress against the MCF in each market including a review of inventory controls in significant markets. The 2017 internal audits were based on the MCF as the core and consistent scope for all markets which includes a more objective grading of compliance based on prescriptive and defined controls/evidence.

Conclusion reached by the Committee

The Committee concluded that engagement with and adherence to the MCF standards had improved with follow-through and implementation of standards in all markets continuing.

Rationale for the Committee's conclusion

The Committee received updates from the Group Head of Internal Audit at each meeting setting out the compliance across the Group, detailed findings from audits and recommended mitigation plans for identified control gaps.

AUDIT TENDER

Recent EU audit reforms require companies to put their audit out to tender at least every 10 years and to change their auditor at least every 20 years. As disclosed last year, the Audit Committee commenced a tendering

process in 2017 which is set out below. The Audit Committee recommended to the Board that Deloitte LLP be appointed as the Group's auditor for the year ended 31 December 2018. A resolution to appoint Deloitte LLP will be put to shareholders at the AGM on 24 May 2018.

AUDIT TENDER PROCESS

November 2016	<ul style="list-style-type: none"> – Audit tender process commences – Audit Committee and management consider suitable audit firms to determine their capabilities and prospective audit partners – A short list of audit firms is agreed including two audit firms outside of the 'big four'.
May 2017	<ul style="list-style-type: none"> – Two of the firms confirm they will actively participate in the audit tender.
July 2017	<ul style="list-style-type: none"> – A Decision Making Panel consisting of John Langston and Nigel Northridge along with the Chief Financial Officer, Group Financial Controller and Group Head of Internal Audit was appointed – Selection criteria agreed by the Audit Committee
August/September 2017	<ul style="list-style-type: none"> – Request for proposal document drafted and approved by the Decision Making Panel – Scoring matrix agreed by the Decision Making Panel – Sent to audit firms for their consideration
September 2017/ October 2017	<ul style="list-style-type: none"> – Site visits scheduled for Russia, Chile, Singapore and UK – Meetings held with key stakeholders including Tax, Treasury and Group IS functions. – Secure online data room made available to audit firms to support tender submissions.
November 2017	<ul style="list-style-type: none"> – Tenders submitted and formal presentations made to the Decision Making Panel – Results of the selection criteria scoring matrix presented to the Audit Committee – Audit Committee makes its decision on preferred firm and makes a recommendation to the Board for approval – Board approved the appointment of Deloitte LLP
May 2018	<ul style="list-style-type: none"> – Resolution to appoint new auditor put to shareholders at the 2018 Annual General Meeting.

SELECTION CRITERIA

A range of candidates was considered, including audit firms outside the big four accounting firms. The Decision Making Panel agreed the selection criteria and agreed which firms would be invited to tender. The selection criteria included:

- Key elements of the proposal and why it meets company needs

- General aspects of the audit firm – geographical coverage, office size in relevant markets, independence, conflicts of interests
- Understanding of the business and industry – audit credentials in Automotive/Distribution, demonstration of understanding of Inchcape's business, industry thought leadership

- Audit approach – proposed scope, coverage and rotation, approach to technical judgements, approach to testing controls, availability of audit tools, time management
- Audit planning – timetable, regional teams, approach to working with management, internal quality assurance processes, approach to resolving issues.
- Partner and team – details of lead partner and their skill set, team structure, continuity and succession planning
- Fees and terms.

INVITATION TO TENDER

KPMG LLP and Deloitte LLP were invited to tender. EY were also invited to tender but decided not to participate due to other services they currently provide to the Group including tax advice and other non-audit services. Given the Group's global footprint, the Committee decided not to invite firms outside of the 'big four' which were being considered.

Each firm submitted a detailed tender document which included a presentation and a proposal for external audit services setting out technical expertise, scope and practical audit approach.

FINAL SELECTION

The Committee agreed that both firms submitted excellent, professional and thorough tender proposals. However, after taking into account the process as a whole, the views of colleagues who met with each firm and the presentations and results of the scoring matrix, the Committee identified Deloitte LLP as the preferred new external auditor. Deloitte LLP shadowed PwC during the 2017 external audit process.

NON-AUDIT SERVICES

The policy for non-audit services has been updated to take into account the new EU audit regulations and was approved by the Committee in February 2017. The policy sets out the permitted and non-permitted non-audit services as well as the approval levels required by the Audit Committee. The policy is designed to ensure that the external auditor's objectivity is not compromised by earning a disproportionate level of fees for non-audit services or by performing work that, by its nature, may compromise the auditor's independence. However, using advisors who have an understanding of the Group's business can be a benefit and the Committee will consider non-audit services supplied on an ongoing basis.

The provision of permitted non-audit services will only be approved by the Audit Committee if:

- Engagement of the auditor to provide the services does not impair the independence or objectivity of the external auditors;
- The skills and experience of the external auditors makes it the most suitable supplier of the non audit service;
- The auditor does not have a conflict of interest due to a relationship with another entity; and
- The aggregate fees incurred for permitted non-audit services relative to the audit fee do not exceed 70% of the average audit fee over the previous three years.

Permitted non-audit services above a certain level are approved on a case-by-case basis by the Audit Committee. During 2017, PwC carried out the interim review. No other permitted non-audit services were provided by PwC.

TERMS OF REFERENCE

Companies are required to go through a formal process of considering their internal audit and control procedures, assessing the effectiveness of the external audit process and overseeing the relationship with their external auditors. As part of this process, it is essential that the audit committee is properly constituted with a clear remit and identified authority, and that it has processes in place to enable directors serving on audit committees to perform their role.

The Audit Committee's responsibilities are set out in its terms of reference. Compliance with the terms of reference is reviewed annually. During 2017, ICSA: the Governance Institute updated its model terms of reference for audit committees. The updated terms of reference reflect the April 2016 revisions to the UK Corporate Governance Code and the FRC Guidance on Audit Committees. They also take into account the changes to the Code in 2014 which required directors to publish a viability statement. The terms of reference are based on updated guidance and best practice as carried out in UK listed companies.

The Audit Committee carried out a review of its terms of reference during the year and approved the adoption of the updated terms for 2018. The new terms can be found on the website at www.inchcape.com/governance.

ENSURING AN EFFECTIVE BOARD

DEAR SHAREHOLDER

I am pleased to present the report of the Nomination Committee for the year ended 31 December 2017. This report should be read in conjunction with the Compliance Report on pages 82 to 86.

In order to ensure that the Company is headed by an effective Board, now and in the future, the Committee reviews the following on an annual basis:

- Length of time served - to ensure that progressive refreshing of the Board is considered on an ongoing basis.
- Skills and experience - to ensure that the Directors have the appropriate skills to assist with the delivery of the Ignite strategy.
- Time commitment - to ensure that the Non-Executive Directors are able to give sufficient time to the Company.
- Other appointments - to ensure that the number of other directorships held do not affect a Director's ability to commit the appropriate time to the Company.

BOARD COMPOSITION

The review of skills and experience is carried out by the Committee annually by way of a skills assessment completed by the Board members. During the year, the skills review identified the technology sector as an area which could be further strengthened on the Board. Due to the changing nature of the business and the evolution of the Ignite strategy, this is an area which is likely to become increasingly important over time and as such was also a key consideration when planning the succession of Board members.

The length of service of the Non-Executive Directors and the Board's diversity policy are also considered by the Committee to ensure the appropriateness of succession plans.



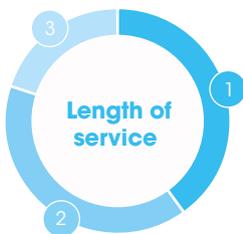
Ken Hanna
Chair of the Nomination Committee

COMMITTEE MEMBERS

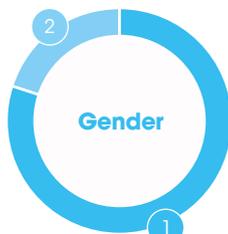
- | | |
|------------------------------------|------------------|
| Jerry Buhlmann – joined March 2017 | Nigel Northridge |
| Rachel Empey | Nigel Stein |
| John Langston | Till Vestring |
| Coline McConville | |

Nigel Northridge will complete nine years' service in July 2018, however he has agreed to remain on the Board for a further 12 months to assist with the Chairman transition.

Jerry Buhlmann joined the Board in March 2017. Jerry is currently Chief Executive Officer of Dentsu Aegis Network and brings extensive Asia, B2B, digital and marketing experience which will further strengthen the skills and experience on the Board to fully deliver on the Ignite strategy. Jerry Buhlmann's induction consisted of meetings with key senior management. He also met with the Group's remuneration consultants, Kepler Associates, to gain an understanding of the Group's remuneration structure and culture for rewarding performance, and



- 1 - 0 – 3 years 4
- 2 - 3 – 6 years 4
- 3 - 6+ years 2



- 1 - Male 8
- 2 - Female 2



- 1 - German 2
- 2 - Australian 1
- 3 - British 6
- 4 - Irish 1



- 1 - Finance 4
- 2 - Retail 2
- 3 - Automotive 1
- 4 - Consultancy 2
- 5 - Media & Digital 1

Committee meeting**Key activities**

March	<ul style="list-style-type: none"> – Appointment of Jerry Buhlmann as a Non-Executive Director. – Approval of the Nomination Committee Report in the Annual Report and Accounts, time commitment, policy on multiple board appointments, election/re-election at AGM, length of service.
November	<ul style="list-style-type: none"> – Review of skills and experience, update on Board and Chairman succession, independence of Non-Executive Directors, review of terms of reference and committee membership.

Makinson Cowell, to gain an understanding of the views of the Group's shareholders. To provide an understanding of the Group's operations inductions for new Directors also include a visit to a dealership. James Brearley, CEO UK Retail, gave Jerry an in-depth tour of the flagship VW dealership in Chiswick which included a comprehensive overview of the UK businesses.

APPOINTMENT PROCESS

The Lygon Group was appointed to assist with the search for Non-Executive Directors during the year. The Lygon Group has worked with the Group for several years and is familiar with the current Board's skills set and the potential requirements for the future. During the recruitment process, I meet with the consultants to review our needs and to draw up a long-list of suitable candidates for consideration. When a short-list has been established, potential candidates will meet with other Board members, after which the Committee will decide on the most suitable candidate and recommend the appointment of the Non-Executive Director to the Board for its approval. The Lygon Group is a signatory to the Voluntary Code of Conduct for Executive Search Firms and does not have any other connection to the Company. The Company continually updates its list of potential candidates, taking into account the Ignite strategy, the business needs of the Group and the Board's diversity policy, and should the situation arise when a Director departs unexpectedly, the recruitment process can begin immediately.

Nigel Northridge, Senior Independent Director, led the Chairman succession planning process during the year. The Nomination Committee met without the presence of Nigel Stein to consider the Chairman succession and formally approved his appointment in January 2018.

DIVERSITY POLICY

The Committee recognises the benefits of having a diverse Board and sees this as an essential element in delivering the Group's strategic objectives. We value diversity of skills and industry experience as well as background, race, age and gender as we believe this adds fresh perspectives which enrich our decision making and the aim of the policy is to reflect this ethos. The Board's policy on diversity is a verbally agreed principles based policy. It is clearly understood by our recruitment consultants and is taken into account when considering succession planning and external hires. The Board considers all aspects of diversity to be relevant and all Board appointments are made on merit and in the context of the skills and experience needed for the Board to be effective. The Board has not set specific targets, however aims to achieve the recommendations in the Hampton-Alexander and Parker Reviews.

The Board philosophy on diversity is also reflected throughout Inchcape where we employ a diverse workforce across 29 countries. We value the unique contribution that each person brings to Inchcape and we aim to employ people who reflect the diverse nature of society, regardless of age, sex, disability, sexual orientation, race, colour, religion, ethnic origin and political belief. The Group has not set specific targets, however the case study shows the work carried out during in 2017.



Ken Hanna
Chairman

CREATING DIVERSE OPPORTUNITIES IN THE WORKPLACE

We have made good progress on further strengthening and diversifying the talent pool during the year. The focus on ensuring we have diverse short-lists has meant we have increased our gender diversity in the business while going for the best candidate for the job. We have recruited women to the following senior positions: General Manager, Singapore; Managing Director, Greater China; General Manager PSA Australia; Group Financial Controller, Group Head of Internal Audit and Head of Investor Relations. Progress is also being made in initiatives for revised role definition and reward to help the business attract candidates from other sectors. In the UK, we are also:

- Actively engaging with key forums, the wider community and education bodies to promote and encourage more females into the automotive profession
- Examining labour flows and female progression within the business
- Reviewing the Diversity and Inclusion culture across the business and identifying potential opportunities and obstacles
- Considering setting goals for greater female inclusion/representation throughout the recruitment process (both internal and external)
- Reviewing family friendly policies and working practices to identify opportunities
- Reviewing the requirement for unconscious bias training.

ENSURING FOCUS ON SUSTAINABILITY

DEAR SHAREHOLDER

I am pleased to present the report of the CR Committee for the year ended 31 December 2017.

I am delighted that Jerry Buhlmann joined the Committee in 2017. Jerry is the Chief Executive of Dentsu Aegis and his experience gained from their own sustainability strategy will no doubt add a new focus to our sustainability discussions and development in the future.

Maintaining a robust and transparent approach to CR is important for the long-term sustainability of our business, and we take our responsibilities towards all our stakeholders and the world at large seriously. This is why this Committee consists of both independent Non-Executive Directors and Executive Committee members, to ensure that we have a clear understanding of what CR means to the business and how we can ensure that an effective CR culture is embedded within the whole of the organisation.

The key stakeholders for the Group: People, OEM brand Partners and Customers, have detailed updates in the Strategic Report on pages 1 to 43.

The Committee also reviewed progress in the following areas:

Health & Safety

During the year we continued to drive a 'Health & Safety culture' within the organisation. A detailed evaluation of the current processes was undertaken which has resulted in:

- A refreshed, overarching policy statement which sets out accountabilities and responsibilities.
- Detailed Health & Safety standards, to serve as an operational benchmark raising our processes to a common standard.
- A more comprehensive self-audit process which enables all markets to evaluate their own compliance with our standards.
- A comprehensive accident reporting procedure which includes hazards and near misses.
- A clear resourcing plan to oversee compliance and continuous improvement.

Communities

The Committee has been excited to hear about the inspiring community work carried out by so many of Inchcape's businesses.

The Company encourages community involvement, fund raising and donations through both Company partnership and by individuals. We are now building an internal community where colleagues can share their stories and best practice.



Till Vestring
Chair of the CR Committee

COMMITTEE MEMBERS

- | | |
|----------------|-------------------|
| Stefan Bomhard | Ken Hanna |
| Jerry Buhlmann | Coline McConville |
| Alison Clarke | |

Committee meeting

Key activities

Committee meeting	Key activities
March	<ul style="list-style-type: none"> - CR Committee Report in Annual Report and Accounts - Review of CR strategy
November	<ul style="list-style-type: none"> - Update of CR strategy, agreeing key CR themes, outline of reporting process, review of terms of reference and committee membership.

Environment

The Committee has continued to look at the ways we can manage and reduce our carbon emissions and understand what the environmental impacts of our operations are globally and concrete initiatives are being evaluated on the work done.

We continue to work with The Carbon Trust to explore how adopting a science-based target approach to carbon reduction would work for us. During the year an comprehensive energy audit pilot was completed for Continental Europe which will be reviewed during 2018 to ascertain where we can make a difference. We have a very diverse business and it is important to us that we adopt the approach which will not just deliver short-term results but will help us build an effective reduction programme for the next 30 years and beyond.

Further information on these key stakeholders is given in the CR Report on pages 39 to 43.

Till Vestring
Chair of the CR Committee